



**DEFENSE LOGISTICS AGENCY
DEFENSE CONTRACT MANAGEMENT COMMAND
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IN REPLY
REFER TO AQOC

AUG 25 1997

MEMORANDUM FOR COMMANDERS, DEFENSE CONTRACT MANAGEMENT
DISTRICTS
COMMANDERS, DCMC CONTRACT ADMINISTRATION
OFFICES

SUBJECT: DCMC Memorandum No. 97- 82 , Coordination of High Profile Cost Issues
(POLICY)

This is a POLICY memorandum. It expires when content is included in DLAD 5000.4, Contract Management (One Book), not to exceed one year. Target Audience: All DCMC employees. (Reference DCMC Policy Letter No. 95-02, Keeping Management Apprised of Critical Contract Administration Issues, March 3, 1995.)

The downsizing of the defense industrial base and the large number of defense industry mergers have resulted in several high profile cost issues. In some cases, defense contractors have proposed precedent-setting solutions to address the treatment of specific costs associated with the recent mergers. In addition, some of these issues have generated significant interest from Congress, the General Accounting Office, and the Military Departments. This is particularly true with respect to the payment of restructuring costs, divested segment costs, environmental clean up costs, and required Cost Accounting Standard adjustments for previously paid pension costs.

DCMC must ensure that any precedent-setting solutions proposed by contractors and the Government's treatment of costs are not only consistent with existing laws and regulations, but also result in fair and consistent treatment of defense contractors. Accordingly, prior to final contracting officer decisions, advance agreements, settlements, or litigation efforts related to high profile cost issues, the policy and legal arguments in support of the Government's position shall be coordinated with Headquarters DCMC and the Overhead Center Legal Practice Group. Coordination should be accomplished as early as possible with Headquarters DCMC and appropriate District offices. This will ensure that positions presented by DCMC contracting officers and their legal advisors are consistent and reflect current Department of Defense policies, initiatives, and strategies.

This policy memorandum is directed at only high profile cost issues. It is not intended to delay DCMC contracting officer decisions in situations where there is relevant regulatory guidance and case law. If contracting officers are not certain if a cost issue falls within the scope of this memorandum, they should contact Headquarters DCMC for guidance.



Questions regarding this policy memorandum should be directed to Mr. Frank Wojtaszek, AQOC, at (703) 767-3403, or Mr. Robert Burton, GC, at (703) 767-3403.

A handwritten signature in black ink, appearing to read 'Robert W. Drewes', with a long horizontal flourish extending to the right.

ROBERT W. DREWES
Major General, USAF
Commander